State Profile

Spring 2006

Ohio

Ohio's economic conditions remain weak as job growth continued to be slow and uneven across sectors and metropolitan areas.

- Ohio payrolls increased 24,700 (0.5 percent) during the year ending fourth quarter 2005. Most of the gains occurred in the professional and businesses services and educational and health services sectors. Net job losses occurred in the state's higher paying industries; nearly sixty percent of all jobs lost in Ohio during 2005 paid wages that exceeded state averages (see Chart 1).

- Job losses in the manufacturing sector continued to weigh on the Ohio economy. About 5,200 manufacturing jobs were lost year-over-year through fourth quarter 2005, and the majority of these losses occurred in the electrical equipment appliances and transportation equipment industries. Weakness in the auto sector likely will constrain employment opportunities among the state's auto manufacturers and parts suppliers.

- The **Cincinnati-Middletown** metro gained the largest number of new jobs in the state during 2005. However, challenges to continued employment growth lie ahead. Ford's Batavia plant is scheduled for closure in 2008 and will result in over 1,700 layoffs. Also, Delta's bankruptcy and the merger between Duke Energy and Cinergy may result in additional layoffs in this metro area.

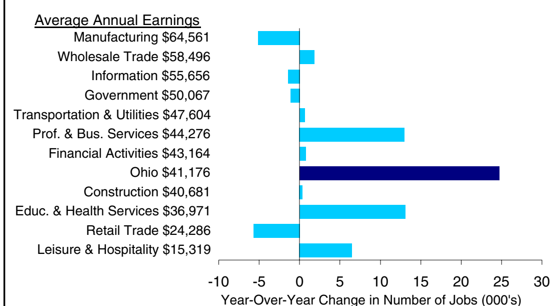
- Median household income in Ohio remained relatively flat during the past five years, likely from somewhat slower job and population growth compared with the nation.

Ohio's weak economy weighed on household conditions.

- Several indicators suggest that household finances were weaker in the state than the nation. Personal bankruptcy filings, mortgage foreclosures and mortgage delinquency rates continued to increase during fourth quarter 2005. The state's per capita personal bankruptcy rate increased significantly relative to the nation during 2005 (see Chart 2).

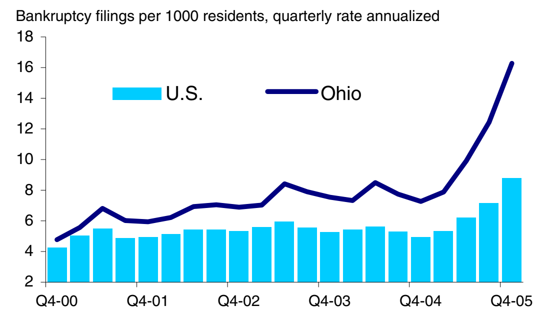
- The state's mortgage foreclosure rate was approximately 3.4 percent in the fourth quarter 2005, about double the national average. Foreclosure rates in Ohio consistently have exceeded the national average. Additionally,

Chart 1: Ohio Lost Many Higher Paying Jobs During 2005



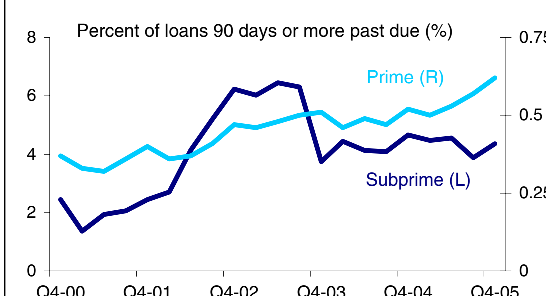
Source: Bureau of Labor Statistics and Bureau of Economic Analysis

Chart 2: Ohio Bankruptcies Remain High and Rising Relative to the Nation



Source: Administrative Office of the U.S. Courts

Chart 3: Delinquencies for All Ohio Conventional Mortgage Loans Move Higher



Source: Mortgage Bankers Association

delinquency rates on conventional prime and subprime mortgages in Ohio are rising (see Chart 3).

- Home values in the state continued to appreciate more slowly than the national average. Ohio's year-over-year home price appreciation of 4.0 percent in fourth quarter 2005 ranked second to last in the nation.

Commercial real estate (CRE) conditions were uneven across the state.

- Downtown vacancy rates for the **Cleveland** and **Columbus** metro areas increased in 2005 and remained high (see Chart 4). Suburban vacancy rates for Cincinnati also remained high but declined 100 basis points during the past year.

- CRE loan concentrations among all institutions in Ohio increased in 2005 but remained below the national average. In response to growing concentration levels among some FDIC-insured institutions nationwide, Federal banking regulatory agencies have proposed guidance for CRE loan portfolios. The proposed guidance addresses a number of issues including the need for banks with high CRE concentrations, or growth in CRE lending, to have strong risk management practices, sound underwriting standards, and capital levels commensurate with risk.

Ohio community institutions reported stable performance in 2005.

- During 2005, Ohio-based community institutions earned $386 million, an increase of $12 million (3 percent) from a year ago.[1]

- Aggregate profitability, as measured by return on assets, among Ohio-based community institutions declined slightly in 2005 from one year ago because of higher operating expenses and lower net interest income (see Table 1).

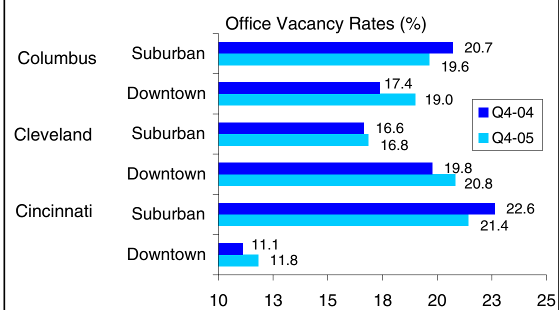
- Net interest margins for Ohio community institutions declined slightly in 2005 as the yield curve flattened in 2005. Despite stronger growth in typically higher yielding CRE loans, increased funding and deposit costs reported by the state's community institutions offset improved asset yields.

Credit quality remained relatively stable, but the higher level of noncurrent loans warrants monitoring.

- The loan delinquency rate for Ohio community institutions increased slightly in 2005 to 2.04 percent and exceeded the national average. Past-due rates moved higher in the nonresidential real estate, home equity and one-to-four family loan categories (see Chart 5).

- Overall, net charge-offs to total loans for community institutions moved up slightly in fourth quarter 2005 from a year ago. Increases were primarily in the commercial and industrial and consumer loan categories. Changes to bankruptcy laws, effective October 2005, and the ensuing spike in personal bankruptcies likely contributed to higher loan losses in the consumer loan portfolio.

Chart 4: Office Market Conditions Remain Soft and Uneven



Source: Torto Wheaton Research

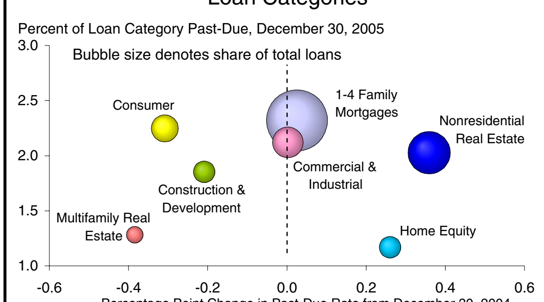
Table 1: Higher Operating Expenses and Weaker Net Interest Income Lowered Profitability

Income statement contribution (percent of average assets)	Calendar year 2004	Calendar year 2005	Percentage Point Change
Net Interest Income	3.55	3.53	-0.02
Noninterest Income	0.60	0.63	0.03
Noninterest Expense	-2.68	-2.71	-0.03
Provision Expense	-0.16	-0.15	0.01
Security Gains & Losses	0.06	0.04	-0.02
Pretax Net Income	1.37	1.35	-0.02
Income Taxes	-0.38	-0.38	0.00
Net Income (ROA)	0.99	0.97	-0.02

Source: FDIC

Note: Merger-adjusted data for Ohio's Community Institutions

Chart 5: Delinquencies Rose Across Major Loan Categories



Source: FDIC Note: Merger-adjusted data for Ohio's Community Institutions

[1] Community institutions are insured banks and thrifts with less than $1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

Ohio at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.5%	0.3%	0.5%	0.2%	-0.9%
Manufacturing (15%)	-0.6%	-1.4%	-1.1%	-2.5%	-4.7%
Other (non-manufacturing) Goods-Producing (5%)	0.0%	-0.5%	0.2%	1.4%	-2.2%
Private Service-Producing (66%)	0.9%	0.9%	1.1%	0.8%	-0.1%
Government (15%)	-0.1%	-0.2%	-0.4%	-0.1%	0.3%
Unemployment Rate (% of labor force)	5.8	5.9	6.1	6.2	6.2

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	4.5%	5.6%	4.2%	2.8%
Single-Family Home Permits	16.0%	13.7%	-11.2%	-3.4%	5.1%
Multifamily Building Permits	-18.1%	35.3%	5.2%	-12.5%	-8.0%
Existing Home Sales	1.9%	8.1%	4.3%	8.9%	6.8%
Home Price Index	4.0%	4.5%	4.0%	3.9%	3.4%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	16.28	12.43	7.28	7.71	7.72

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	278	281	290	290	304
Total Assets (in millions)	1,633,926	1,626,044	1,579,718	1,579,718	647,503
New Institutions (# < 3 years)	5	5	4	4	5
Subchapter S Institutions	23	23	20	20	19

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.74	1.73	1.79	1.79	1.89
ALLL/Total Loans (median %)	1.00	0.98	1.00	1.00	1.07
ALLL/Noncurrent Loans (median multiple)	1.16	1.11	1.30	1.30	1.19
Net Loan Losses / Total Loans (median %)	0.09	0.06	0.07	0.13	0.12

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.54	9.72	9.43	9.43	9.26
Return on Assets (median %)	0.86	0.92	0.84	0.87	0.94
Pretax Return on Assets (median %)	1.16	1.27	1.16	1.20	1.32
Net Interest Margin (median %)	3.82	3.82	3.82	3.83	3.80
Yield on Earning Assets (median %)	6.17	6.01	5.59	5.48	5.76
Cost of Funding Earning Assets (median %)	2.33	2.16	1.79	1.71	2.03
Provisions to Avg. Assets (median %)	0.10	0.08	0.09	0.11	0.12
Noninterest Income to Avg. Assets (median %)	0.50	0.52	0.49	0.48	0.54
Overhead to Avg. Assets (median %)	2.81	2.86	2.87	2.75	2.73

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	72.0	71.6	70.4	70.4	68.9
Noncore Funding to Assets (median %)	20.8	19.8	18.8	18.8	17.7
Long-term Assets to Assets (median %, call filers)	23.7	25.1	26.7	26.7	26.2
Brokered Deposits (number of institutions)	68	69	71	71	64
Brokered Deposits to Assets (median % for those above)	4.0	4.3	3.3	3.3	3.9

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	41.8	38.5	43.5	43.5	42.4
Commercial Real Estate	159.8	154.2	148.7	148.7	142.6
Construction & Development	20.8	19.8	21.2	21.2	16.5
Multifamily Residential Real Estate	7.7	8.0	7.2	7.2	7.4
Nonresidential Real Estate	102.9	94.8	96.5	96.5	87.0
Residential Real Estate	323.1	326.0	327.4	327.4	330.6
Consumer	34.7	34.8	38.1	38.1	41.6
Agriculture	11.1	10.9	11.1	11.1	12.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
Cleveland-Elyria-Mentor, OH	44	64,472	< $250 million	200 (71.9%)
Cincinnati-Middletown, OH-KY-IN	87	37,080	$250 million to $1 billion	52 (18.7%)
Columbus, OH	57	28,762	$1 billion to $10 billion	16 (5.8%)
Akron, OH	27	9,812	> $10 billion	10 (3.6%)
Dayton, OH	32	9,808		